



Statement of the American Farm Bureau Federation

**Regarding the Challenges of the 2009 H1N1 Influenza
and its Potential Impact on Small Business and Health Care Providers**

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Chairwoman Velázquez and Ranking Member Graves, we appreciate you holding this hearing on this important topic and the challenges our nation faces related to H1N1. As evidenced by the extensive work carried out by multiple branches of our government and international bodies, this is a complicated issue that could impact many sectors of the economy. Thank you for allowing me to share the concerns of agriculture as it relates to the H1N1 virus.

Madam Chairwoman, we had many, many pork producers who wished to be here to testify today to explain their personal perspective on how H1N1 has impacted the bottom line for pork producers. The H1N1 Influenza has impacted family farmers. Many have been forced to make serious changes regarding the day-to-day activities on their farms. When H1N1 hit, pork farmers had already struggled through 18 months of losses due to increased expenses.

The futures market indicates very little chance of profit for at least the next nine months. We anticipate the credit markets will continue to be a problem for pork producers and that many will have to sell off sizable portions of their inventory to reduce herd size. This will not only effect pork producers but will likely cause many to lay off employees. This means those employees will likely be without income and health insurance.

The impact on our rural community will be tremendous. The impact of decisions forced on pork producers -- partly by H1N1 -- doesn't stop at the farm gate, but also greatly impacts businesses in town. If herd sizes are further downsized, farmers will purchase fewer supplies from local businesses, such as the fuel station, propane supplier and veterinarians. Rural communities are already struggling to maintain businesses and the credit issues currently facing both the pork and dairy sectors are very likely to further erode the viability of many rural communities.

I want to emphasize the importance of agriculture to the recovery of our economy. While fewer than 1 percent of Americans are engaged directly in agriculture, the sector has a huge impact on our economy. According to the Agriculture Department, agriculture and food account for about 13 percent of U.S. gross domestic product.

Agriculture withstood the downturn in the economy longer than most sectors, but the downturn has now caught up with the agriculture sector in general, and our livestock producers in particular.

While only a fraction of all farm loans have been affected, pork and dairy producers have seen the erosion of huge portions of their lifetime equity in the last year and face a wave of restructurings or forced sales in the next few months. Compounding the issue is that many of the small and regional commercial banks that make farm loans also have credit concerns. More than 80 banks have failed; the most since the early 1990s.

As long as land values hold up, lenders should be willing to refinance carryover debts. However, the Federal Reserve Bank of Chicago recently issued a report that the price of good quality farmland in Iowa and Michigan was 5 percent lower on July 1 than it was on the same 2008 date. Falling land prices are making it harder for farmers to borrow because land is their biggest source of collateral. This is particularly true for the pork and dairy sectors. Considering these bank problems, we fear they may not be able to provide leniency to farm borrowers.

Agricultural exports have dropped more than 20 percent in the first six months of this year in comparison with the first six months of 2008. Net farm income is forecast to be \$54.0 billion in 2009, down \$33.2 billion and 38 percent from the preliminary estimate of \$87.2 billion for 2008. The 2009 forecast is \$9 billion below the average of \$63.2 billion in net farm income earned in the previous 10 years.

The recent sales price received for hogs is down \$25 per head in only the last four months. If the December 2009 Chicago Mercantile Exchange Lean Hogs futures price is an accurate forecast of where hogs will be priced at year's end, producers will be losing \$50 per head. Even the futures price for next April indicates a \$25-per-head loss.

We believe Congress and the administration could do several things that would be helpful to the pork sector specifically and would also impact the livestock industry in general.

(1) While the administration has made a concerted effort to call this issue "H1N1 influenza," many in the media continue to refer to it as "swine flu." According to the World Health Organization, the World Organization for Animal Health (OIE), the U.S. Centers for Disease Control and Prevention and the U.S. Departments of Agriculture, Health and Human Services and Homeland Security, the H1N1 influenza strain cannot be transmitted by eating pork. It is not a food safety issue. H1N1 is not a food-borne illness. USDA's Agriculture Research Service (ARS) confirmed this when they conducted a study to determine if novel H1N1 caused illness in pigs similar to that caused by other influenzas. The ARS study found that H1N1 virus was only detected in the respiratory tract of infected pigs; the virus does not move to other tissues. Most importantly, the virus does not spread to meat, confirming that pork from infected and recovered pigs is safe to eat. We need Congress and the administration alike to keep reminding consumers of this fact and to use every means possible to ensure the media quits referring to it as "swine flu".

The USDA and the United States Trade Representative have worked diligently with our trading partners to ensure they know that United States pork and pork products are safe, and there is no basis for restricting imports. Yet, in China, the world's largest pork market, 64 percent of its consumers stopped eating pork in the early stages of the H1N1 influenza outbreak. More than one in five consumers in China still believe that eating pork can result in catching the flu virus. This is according to a survey commissioned by the U.S. Meat Export Federation. Fifty-four percent of those who fear the connection between pork and the flu virus say that it is because the virus has been labeled "swine flu." In the U.S., we have had market access issues in two of our top six pork export markets -- China and Russia. We believe this is a large part of why during the first six months of 2009, U.S. pork exports have dropped 18 percent from the level during the first six months of 2008.

(2) USDA operates a program to assist agricultural producers during times of market distress. In addition, it combats hunger. This program operates through the federal purchase of food and agricultural products that would otherwise overburden the market. Products purchased are distributed through the various food assistance programs overseen by USDA.

Section 32 of the Agricultural Act of 1935 established a permanent appropriation for, among other purposes, encouraging the domestic consumption of farm products by diverting surpluses from normal channels to those used by low-income groups. This allows the purchase of meats, poultry, fish, fruits and vegetables when markets become unbalanced. Schools and other domestic food assistance organizations receive these products when they are purchased.

We urge USDA to continue to maximize pork purchase opportunities under Section 32.

(3) Shortly before the August recess, the House and Senate passed legislation that provides \$1.85 billion in funding for the “Public Health and Social Services Emergency Fund” to prepare for and respond to an influenza pandemic. The conference report states that funds appropriated and not specifically designated may be transferred to, and merged with, other appropriation accounts of the Department of Health and Human Services and other federal agencies, as determined by the secretary to be appropriate.

The Senate version of the legislation specifically called for the transfer of \$100 million to USDA under the heading “Agricultural Programs, Production, Processing and Marketing, Office of the Secretary.” We have asked the administration to transfer at least \$100 million of the \$1.85 billion for use in additional purchases of pork. Without question, part of today’s decrease in pork prices is due to the media’s misuse of the term swine flu rather than the H1N1 virus. Pork producers are facing dire circumstances and need the government to step up to purchase more pork products. Any assistance this committee could provide in encouraging the administration to make such a transfer of funds would be greatly appreciated.

(4) Recently Agriculture Secretary Vilsack announced that as part of USDA’s continuing efforts to listen to and respond to the needs of producers in the dairy industry, he was establishing a Dairy Industry Advisory Committee. We wholeheartedly support this initiative and will be nominating a Farm Bureau representative to that committee. We also believe it is imperative to establish a Pork Industry Advisory Committee immediately. Just as within the dairy sector, the pork sector is in a severe crisis. Both of these committees could play an important role in building a more stable market for livestock producers.

We are extremely appreciative of actions already taken by USDA to use the department’s administrative flexibility to provide relief to individuals and businesses in struggling agriculture industries. Especially the secretary’s mandate that USDA Rural Development and the Farm Service Agency use all available means to help producers, processors and other small businesses who have been hit by worsening economic conditions.

Madame Chairwoman, we are concerned about many farm families around the United States. We are interested in making sure they can continue to raise pork and also be able to sell it here in America and around the world. We must all continue to work with our trading partners to assure them we are open for business and U.S. pork is safe. There are many hard-working families whose livelihoods depend on us conveying this message of safety. We must also use whatever means possible to encourage additional purchases of pork in the near future.

